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THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE

MAY 1990

Warehousing Report
Total equipment costs

EDI: CHOOSE YOUR LEVEL

Intermodal successes
Railcars on a roll
The regional LTL niche

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*****5-DIGIT 20814
01077952576CG
SUSAN GARNER
5
CONGRESSIONAL INF SER APR91
4520 EAST WEST HIGHWAY
BETHESDA MD 20814

COVER STORY

36 EDI: CHOOSE YOUR LEVEL

While many companies are using some form of Electronic Data Interchange (EDI) to facilitate business transactions, the *truth* is that most of these companies are at the very beginning stages of application. Here's an overview of the three main levels of EDI and an update on standards issues to help you decide whether EDI is right for your business.



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EDITORIAL STAFF

THOMAS A. FOSTER, ESQ. — Editorial Director
(215) 964-4379

JAY GORDON — Executive Editor
(215) 964-4385

THERESA M. STELTZER — Managing Editor
(215) 964-4381

E.J. MULLER — Senior Editor (West Coast)
(415) 769-0884

SHARON STRUCKUS — Associate Editor
(215) 964-4387

EMILY HALL — Production Manager
(215) 964-4384

CONTRIBUTING EDITORS

JOSEPH V. BARKS (215) 964-4385

JOHN BETZ (303) 422-4959

ROBERT J. BOWMAN (415) 752-4884

KURT HOFFMAN (301) 762-8250

STANLEY HOFFMAN (203) 790-4195

JAMES D. MARTIN (708) 256-8182

SCOTT J. SEEDS (708) 852-9824

WALLY WEART (312) 307-8808

SY ZIVAN (212) 832-5357

FOREIGN CORRESPONDENTS

LYNN HURLBERT — Latin America

ANDREW TAUSZ — Canada

HANS VAN DER HOOP — Europe

EDITORIAL ADVISORY BOARD

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BULGING IN THE MIDDLE

Readers report that reliance on traditional third-party import/export vendors remains strong, at the same time that a new breed of intermediary is expanding the range of global logistics services.

By Joseph V. Barks, Contributing Editor

With middlemen, all you need is to find a reliable source to give you the service you need. I find there are plenty to choose from."

With that comment, David J. Simms sums up the current mood of shippers and receivers about the choices they have as they look for vendors that can help them maneuver through the tricky logistical passageways of international commerce.

Simms and hundreds of other respondents to our recent "Dialogue"

survey on the services provided by international middlemen made it clear that third parties have taken on an increasingly critical role as the move to establish truly global business operations has intensified. Traditional vendors such as customs brokers and air and ocean freight forwarders are being relied on more than ever, and not just for mundane functions such as documentation or routing. Rather, these third parties are being looked to as strategic partners in the quest to use logistics as a

competitive wedge in the fierce international business arena.

At the same time, the responses showed that many new entrants—spun off from the ranks of trucking, air, steamship and rail carriers—have emerged as equally viable suppliers of middlemen services. In fact, the results indicate that these newcomers may actually be doing a better job of responding to the expanding needs of international shippers and receivers.

continued

TYPES OF MIDDLEMEN USED FOR EXPORTING (More than one answer could be given)

Air freight forwarder	78.2%
Ocean freight forwarder	63.7
NVOCC	40.0
Foreign warehouseurs	6.4
Export management service/consultant	5.4
FTZ operator	4.5
U.S.-based contract logistics vendor	0.9
Other	3.6
No middlemen used	9.1

Urgency still seems to be the order of the day for export shipments, leading to extensive use of airfreight forwarders as middlemen. Containerized freight, breakbulk and bulk shipments, however, aren't far behind, as the high percentage for ocean freight forwarders attests. Both air and ocean forwarders appear to be offering enough specialized, value-added services to relegate the traditional intermediary, the NVOCC, to a third-place showing. As smaller shippers get involved in international the role of NVOs will no doubt increase. The poor showing for the contract logistics vendor may be an indication that this type of service is still new to exporters.

TYPES OF MIDDLEMEN USED FOR IMPORTING (More than one answer could be given)

Customs broker	81.4%
Airfreight forwarder	46.0
Foreign consolidator/NVOCC	31.9
U.S. public warehouseurs	9.7
Foreign warehouseurs	2.6
U.S.-based contract logistics vendor	2.6
FTZ operator	2.6
Import management service/consultant	1.8
Other	5.3
No middlemen used	10.7

The good 'ol customs broker still retains a lion's share of the importing side of the middlemen business--no doubt because of intensifying perceptions of the U.S. Customs Service as an adversarial, red tape-wrapping roadblock that only experienced specialists know how to avoid. Airfreight services and foreign consolidators also are viewed as important middlemen for U.S. importers, apparently to maximize speed and economy. At the same time, however, it was somewhat surprising to see a larger percentage of importers reporting that they do not use middlemen than was reported in the previous question about exporting.

It all combines to provide well-stocked shelves for international logisticians who need expert help as they arrange for global sourcing or distribution.

You'd Better Shop Around

But careful shopping is still recommended, as Elaine Rea of Hillsboro, Okla., notes. "All the services we need are being performed," she says, "but it is not one-stop shopping. The integrated carriers lack the flexibility

and expertise provided by the forwarders. And the forwarders don't fly their own planes, so lift is sometimes harder to get."

Comments about what specifically is still needed from international middlemen are presented on page 82. In these three pages we also present the tabulations from our mini-survey, indicating readers' current levels of use—and satisfaction—with both traditional and "new breed" third-party providers.

Armed with this information, other international shippers or receivers may be alerted to new possibilities in the third-party environment that could offer an improvement over their current operating approaches. At the same time, the results should help the third parties themselves focus on the areas where they need to expand and improve, so their services can be of maximum appeal and value to both new and established users. ■

GRADING THE TRADITIONAL MIDDLEMEN ("Grade Point Averages" computed on following basis: A=4.0; B=3.0; C=2.0; D=1.0; F=0.0)

Customs broker	3.21
Airfreight forwarder	3.11
Ocean freight forwarder	2.94
Foreign consolidator/NVOCC	2.57
U.S. public warehouse	1.93
FTZ operator	1.50
Export management service/consultant	1.37
Foreign warehouse	1.30
Import management service/consultant	0.91
U.S.-based contract logistics vendor	0.90

The venerable customs broker and the upstart airfreight forwarder go to the head of the class, based on the marks banded out by our tough-grading readers. Ocean freight forwarders and consolidators/NVOCCs earn a respectable "B" rating, but after that the ranks of international shipping "scholars" are thin. Import/Export consultants in particular seem to be in need of some remedial training to give their services more "real world" value.

USE OF "NEW AGE" MIDDLEMEN (More than one answer could be given)

Trucking company	51.5%
Integrated air carrier	46.5
Steamship affiliate	42.6
Intermodal operator (railroad affiliate or independent)	29.7
Warehouser	11.9
Other	4.0

The concept of using trucking companies first began to take hold a half decade ago, but now it's an option our surveyed readers say they're using. Other third-party services such as intermodal have grown out of other direct carriers and they are also getting significant use.

GRADING THE "NEW AGE" MIDDLEMEN ("Grade Point Averages" computed on following basis: A=4.0; B=3.0; C=2.0; D=1.0; F=0.0)

Integrated air carrier	3.02
Trucking company	2.92
Steamship affiliate	2.84
Intermodal operator (railroad affiliate or independent)	2.63
Warehouser	2.28

The trucking companies may be getting used most frequently among "new age" third-party alternatives (see Question 6), but the integrated air carriers are getting the biggest marks. From top to bottom, however, this report card is far better than the one that readers banded out to traditional middlemen (Question 3). Clearly, some formidable new competition has arrived on the international logistics scene—a development that can only bode well for importers and exporters who know how to use the competitive maneuvering to their advantage.

TOP THREE THINGS THAT SHIPPERS LOOK FOR WHEN SELECTING AN INTERNATIONAL MIDDLEMAN (1.0 is highest rating)

Relative size compared with competitors	1.62
Low cost	1.93
Financial strength	2.04
Recommendations from other shippers	2.17
Reputation in marketplace	2.36
Proven value	2.37

Big seems to be better when our readers look for partners who can help them navigate international trade routes. The cost element is also important. Still, it has to have the right financial muscle for getting the job done on a global basis. Shippers put great stock in financial strength and the opinions of their colleagues.

SHIPPER PERCEPTIONS OF MIDDLEMEN

	True	False			
Middlemen generally provide excellent value and service, and without them our international activity would be impossible	55.9%	44.1%	of international movement without adding much value	29.6	70.4
Middlemen are a necessary evil we use to save time and money we don't want to spend on documentation, regulations, rates, routings, etc.	49.5	50.5	We have a hard time finding middlemen who really know how to do the job right. Most are unreliable and really don't know their business	29.2	70.8
The fees and charges of most middlemen add considerably to the cost			The days of international middlemen are fast coming to an end. Their services will be provided by large U.S. or foreign carriers	28.7	71.3

Our readers make it clear that middlemen still have an important role in international logistics, and it's not simply one that's designed to take on the mundane tasks that go with the territory. Moreover, exporters and importers expect to be using middlemen for some time to come, despite the increase of huge, one-stop transportation companies. However, half of the respondents felt they were not receiving full value for the money paid to middlemen, and nearly a third believe many middlemen do as little as possible—and do it badly.

WHERE INTERNATIONAL MIDDLEMEN NEED TO IMPROVE

"Better communications, relative to daily or weekly updates on current sailings and future advice on rule changes, new services, customs, etc."—**Lloyd F. Hawes, Germantown, WI**

"Export boxing."—**W. Nadey, Chicago**

"Customer service activities—tracing/tracking. Door-to-door, one-stop, one-bill shipping."—**James E. Coonan, Chicago**

"With large freight forwarders and customs brokers, we need the same consistently good service in all the cities where they have offices, not just two or three good offices."—**V.G. Guinto, Orlando, FL**

"I have trouble getting the foreign shippers to forward the proper documents to the designated customs broker. Then I have to spend a lot of time tracking down the documents and getting them to the broker for clearance."—**Jack Sims, Rocklin, CA**

"Carriers coordinating from point of origin to their air facility/terminal."—**F.R. Zeithofer, Kanata, ONT, Canada**

"A faster method of determining shipping costs for our foreign dealers. This is sometimes hard to do quickly."—**Warren Miller, Baltimore, MD**

"Quick rate quotations on ocean carriers."—**E.W. Anderson, Chicago**

"Expanded use and application of FTZs. America is

light years behind the times. Personnel stability is another area. The Europeans have the staying power. However, in the same vein, tradition prevents the Europeans from being innovative—looking at new and innovative ways. That's what forwarders and NVOs are supposed to do. It's not a license to 'clip coupons and fees.' That's why the integrated air carriers continue to grow and expand."—**Name withheld**

"As soon as my international agent gets freight I want to know what he has. Fax a packing list or commercial invoice details. I want ETAs to port cities and routings to my plants."—**Marven Mohr, Minneapolis**

"Customs clearance, quickly and at reasonable cost."—**Dan Suarez, Chantilly, VA**

"Quick and accurate information on all costs to destinations other than major cities. There are a lot of markets that are not major ports in capital cities."—**John C. Kooser, Cleveland**

"Help for small companies that are just beginning to export on a large basis. A lot of terms are hard to understand."—**T. Grandey, McMinnville, TN**

"Assurance of loss prevention during Customs inspection."—**S.A. Tillotson, Elk Grove Village, IL**

"Reliable foreign consolidation service. Some ocean carriers perform this service very well in the Far East. They are shut out in the North Atlantic, South Atlantic, and Mediterranean."—**M.D. Garante, Villa Park, IL**